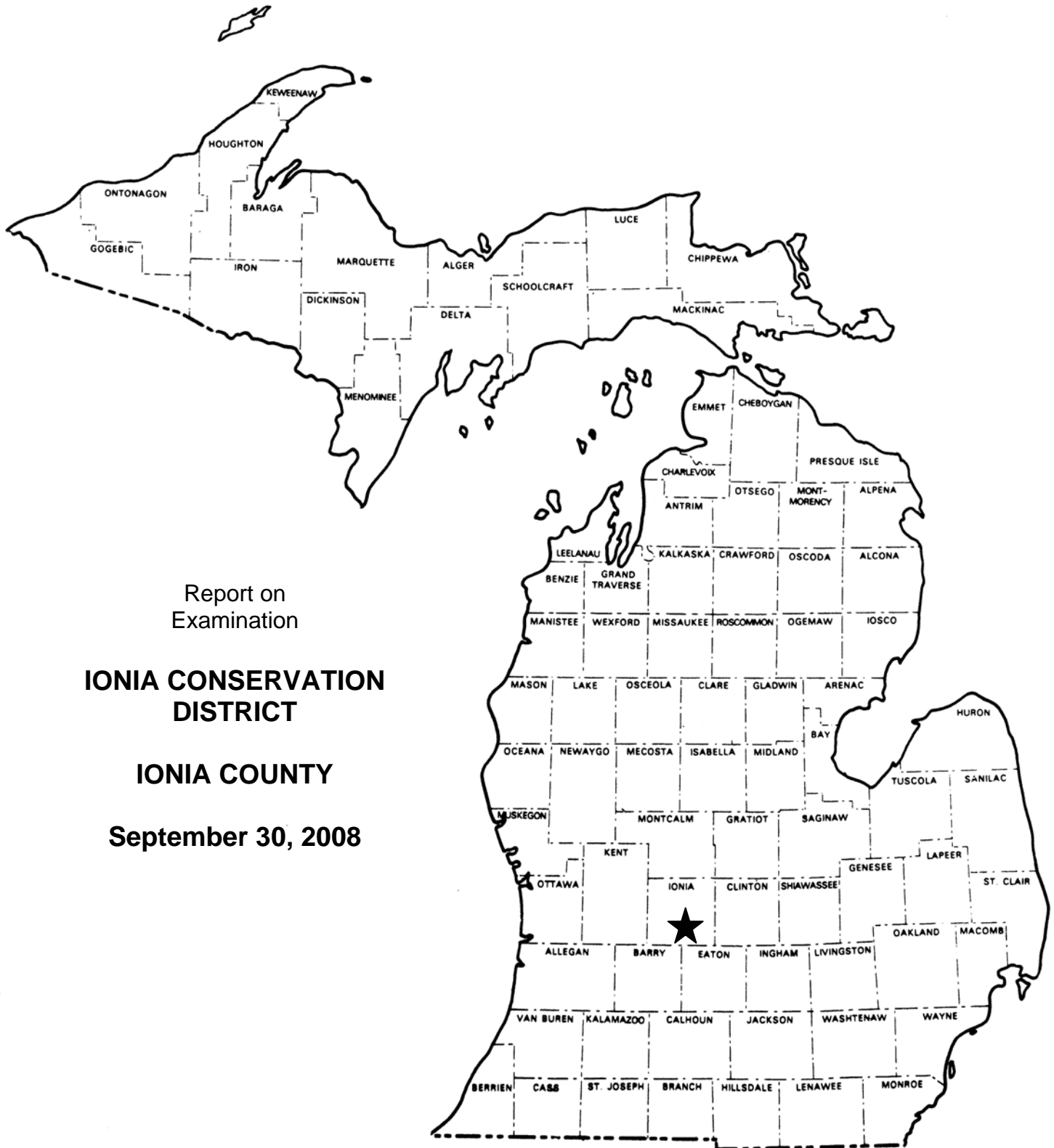


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



IONIA CONSERVATION DISTRICT
BOARD OF DIRECTORS

Art Pelon
Chairperson

Edward Blyth
Vice Chair

Betsy Koehnlein
Secretary/Treasurer

Craig Scheurer
Director

James P. Maurer
Director



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 13, 2008

Board of Directors
Ionia Conservation District
431 Swartz Court #300
Ionia, Michigan 48846

Independent Auditor's Report

Dear Directors:

We have audited the accompanying basic financial statements of the governmental activities of the Ionia Conservation District, Ionia, Michigan, as of and for the year ended September 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Ionia Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Ionia Conservation District, as of September 30, 2008, and the changes in financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2008, on our consideration of the Ionia Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ionia Conservation District's basic financial statements. The accompanying supplementary and related information presented as Exhibits D and E has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

IONIA CONSERVATION DISTRICT

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IONIA CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

The Ionia Conservation District's discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Conservation District's financial activity; c) identify changes in the Conservation District's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Conservation District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Conservation District's overall financial status. These statements report information about the Conservation District, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Conservation District's net assets and how they have changed.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Conservation District as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Conservation District, as a whole, and about its activities in a way that helps answer the question of whether the Conservation District, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Conservation District's net assets and changes in them. The reader can think of the Conservation District's net assets (the difference between assets and liabilities) as one way to measure the Conservation District's financial health or financial position. Over time, increases and decreases in the Conservation District's net assets are one indicator of whether its financial health is improving or deteriorating.

IONIA CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the Conservation District's Major Fund

The financial statements begin on page six and provides detailed information about the major fund. The Conservation District currently has only one fund, the General Operations Fund, in which all of the Conservation District's activities are accounted. The General Operations Fund is a governmental type fund.

- Governmental Fund--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Conservation District's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Conservation District's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

The Conservation District as a Whole

The Ionia Conservation District provides informational and educational activities that promote the understanding and implementation of natural resource conservation. Therefore, the Conservation District is involved in many educational and conservation programs such as: tree distribution, no-till drill, grass/wildflower seed distribution, backyard nature scaping, wildlife habitat, adult workshops, classroom presentations, project learning tree, and the farm bill assistance program.

The Conservation District does not have an investment in capital assets.

IONIA CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Conservation District's net assets for the governmental funds decreased \$4,555 from a year ago for the governmental activities due to nonfunded services provided to citizens of Ionia County and fewer grant revenue sources. In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	Governmental Activities <u>2007</u>	Governmental Activities <u>2008</u>	Difference	Percent
Current Assets	\$ 21,060	\$ 13,546	\$ (7,514)	-36%
Total Assets	<u>21,060</u>	<u>13,546</u>	<u>(7,514)</u>	<u>-36%</u>
Current Liabilities	5,733	2,436	(3,297)	-58%
Long-Term Liabilities	<u>1,782</u>	<u>2,120</u>	<u>338</u>	<u>19%</u>
Total Liabilities	<u>7,515</u>	<u>4,556</u>	<u>(2,959)</u>	<u>-39%</u>
Net Assets				
Unrestricted (Deficit)	<u>13,545</u>	<u>8,990</u>	<u>(4,555)</u>	<u>-34%</u>
Total Net Assets	<u><u>\$ 13,545</u></u>	<u><u>\$ 8,990</u></u>	<u><u>\$ (4,555)</u></u>	<u><u>-34%</u></u>

Changes in Net Assets

Revenue was affected by changes in product demand due to the declining economy, an increase in operations grant of \$7,000 and offered Farm Bill programs. Expenses increased due to the board's decision to maintain the level of district activities, leadership training costs and wages for a new farm bill assistance program.

A summary of changes in net assets for the year ended September 30, 2008 follows:

	Governmental Activities <u>2007</u>	Governmental Activities <u>2008</u>	Difference	Percent
Program Revenues				
Charges for Services	\$ 54,670	\$ 57,338	\$ 2,668	5%
Operating Grants and Contributions	24,776	42,267	17,491	71%
General Revenues				
Unrestricted Investment Earnings	458	629	171	37%
Other Revenue	<u>277</u>	<u>134</u>	<u>(143)</u>	<u>-52%</u>
Total Revenues	<u>80,181</u>	<u>100,368</u>	<u>20,187</u>	<u>25%</u>
Program Expenses				
Community and Economic Development	<u>87,052</u>	<u>104,923</u>	<u>17,871</u>	<u>21%</u>
Total Expenses	<u>87,052</u>	<u>104,923</u>	<u>17,871</u>	<u>21%</u>
Change in Net Assets	<u><u>\$ (6,871)</u></u>	<u><u>\$ (4,555)</u></u>	<u><u>\$ 2,316</u></u>	<u><u>-34%</u></u>

IONIA CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Conservation District's Fund

The Conservation District's General Operations Fund is used to control the expenditures of grant monies which are earmarked by law for the conservation of natural resources of the State, including soil, water, farmland, and other natural resources.

For the year ended September 30, 2008, the fund balance of the General Operations Fund decreased by \$4,217 as compared to a decrease of \$6,871 in the fund balance for the year ended September 30, 2007. Total operating revenues were \$100,368, an increase of \$20,187 as compared to last year, which was primarily the result of an increase in charge for services comprised mostly of tree sales, additional operations grant of \$7,000 and the farm bill assistance grant of \$8,334.

Total expenditures of \$104,923, equaled an increase of \$17,871 as compared to last year. This change in expenditures is primarily the result of an increase in wages for the farm bill assistant and leadership training costs.

Budgetary Highlights

Prior to the beginning of any year, the Conservation District's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Conservation District's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews all expenditures throughout the year.

The final revenue budget for 2008 was less than the actual revenue by \$16,334. This was due to additional grant funding.

The Conservation District's final expenditures were projected at \$86,535, while actual expenditures were \$104,585, resulting in actual expenditures being over the budget by \$18,050. This was primarily due to expending funds for the farm bill assistant and leadership training that were not budgeted for in advance of expending funds for the programs, since the grants were unexpected.

Capital Assets and Debt Administration

The Conservation District does not have any capital assets. The only debt of the Conservation District is for accrued vacation and sick leave.

IONIA CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

The Directors of the Conservation District considered many factors when setting the fiscal year 2006 budget. One of the factors is the economy. The Conservation District derives approximately half of its revenues from tree sales. The recent economic downturn has resulted in less revenue from tree and seed sales. More patrons are choosing to wait for cost share programs and are less willing to install conservation plans on their own. The Conservation District is seeking cost savings and additional funding sources so the level of services may be maintained.

The board realizes, and the reader should understand, that there are not sufficient funds available to consult with every land owner in Ionia County; therefore, the board attempts to spend the public's money wisely and equitably and in the best interest of the land owners and the citizens of Ionia County.

Contacting the Conservation District's Financial Management

This financial report is designed to provide the land owners, citizens and other interested parties a general overview of the Conservation District's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Conservation District for Ionia County administrative offices at: 431 Swartz Court #300, Ionia, Michigan 48846.

**IONIA CONSERVATION DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
AND STATEMENT OF NET ASSETS
September 30, 2008**

EXHIBIT A

	Modified Accrual Basis	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 10,879		\$ 10,879
Accounts Receivable	100		100
Inventories	573		573
Due From State	1,994		1,994
	<hr/>		
Total Assets	\$ 13,546	\$ -	\$ 13,546
<hr/>			
<u>LIABILITIES</u>			
Current Liabilities			
Accrued Wages Payable	\$ 849		\$ 849
Sales Tax Payable	115		115
Other Accrued Liabilities	1,472		1,472
Long-Term Liabilities			
Accrued Liabilities (Sick and Vacation)		\$ 2,120	2,120
	<hr/>		
Total Liabilities	2,436	2,120	4,556
<hr/>			
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance			
Reserved for Inventory	573	(573)	-
Unreserved/Undesignated	10,537	(10,537)	-
	<hr/>		
Total Fund Equities	11,110	(11,110)	-
<hr/>			
Total Liabilities and Fund Balance	\$ 13,546	(8,990)	-
<hr/>			
Net Assets			
Unrestricted		8,990	8,990
	<hr/>		
Total Net Assets		\$ 8,990	\$ 8,990
<hr/>			

The Notes to Financial Statements are an integral part of this statement.

**IONIA CONSERVATION DISTRICT
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
September 30, 2008**

EXHIBIT A-1

Fund Balances--Total Governmental Funds	\$ 11,110
---	-----------

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Certain liabilities, such as compensated absences, are not due and
payable in the current period. Therefore, they are not reported
in the fund's statement.

Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(2,120)</u>
--	----------------

Net Assets of Governmental Activities	<u><u>\$ 8,990</u></u>
---------------------------------------	------------------------

The Notes to Financial Statements are an integral part of this statement.

IONIA CONSERVATION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

EXHIBIT B

	Modified Accrual Basis	Adjustments	Statement of Activities
Revenue			
Federal Grants	\$ 13,662		\$ 13,662
State Grants	18,605		18,605
Contributions From Local Units	10,000		10,000
Charges for Services	57,338		57,338
Interest and Rents	629		629
Other Revenues	134		134
Total Revenue	100,368	\$ -	100,368
Expenditures			
Other General Government	104,585	338	104,923
Total Expenditures	104,585	338	104,923
Excess of Revenue Over (Under) Expenditures	(4,217)		
Change in Net Assets		(338)	(4,555)
Fund Balance/Net Assets--Beginning of Year	15,327	(1,782)	13,545
Fund Balance/Net Assets--End of Year	\$ 11,110	\$ (2,120)	\$ 8,990

The Notes to Financial Statements are an integral part of this statement.

**IONIA CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008**

EXHIBIT B-1

Net Change in Fund Balances--Total Governmental Funds \$(4,217)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Reduction of compensated absences has no effect on the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Assets.

Subtract--Additions to Long-Term Liabilities for Compensated Absences (338)

Change in Net Assets of Governmental Activities \$(4,555)

The Notes to Financial Statements are an integral part of this statement.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF DISTRICT OPERATIONS AND FUND TYPES

The accounting policies of the Ionia Conservation District (District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Ionia Conservation District:

Reporting Entity

Ionia Conservation District is located in Ionia County and provides services to approximately 60,000 residents in many conservation areas. Ionia Conservation District is governed by a five-member board. The District Board consists of the chair, vice-chair, secretary/treasurer and two directors whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the records of the District. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Accordingly, there are no other governmental units that are required to be included in the financial statements.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of Ionia Conservation District. There is only one fund reported in the government-wide financial statements.

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The fund includes the general operating expenditures of the District. Revenues are primarily derived from grants, county appropriation, tree sales and donations. The fund includes the general operating expenditures of the local unit.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Conservation District.

When both restricted and unrestricted resources are available for use, it is the policy of the Conservation District to use restricted resources first, then unrestricted resources as needed.

Budgets and Budgetary Accounting

Budgets are adopted by the District Board for the General Operating Fund. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect revenues and expenditures for the fund. The budget is adopted at the fund level and control is exercised at the line-item level. The District Board monitors and amends the budgets as necessary.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget revenues and expenditures for the general operating fund, as presented in Exhibit C, includes any authorized amendments to the original budget as adopted.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value, when obtained.

Accounts Receivable

At September 30, 2008, the accounts receivable for the District was \$100 which consists of charges for services rendered to others. The District expects to receive payment within one year or less.

Due from State of Michigan

At September 30, 2008, the District had due from the State of Michigan \$1,994, which represents amounts due for various State and Federal grants that passed through the Michigan Department of Agriculture and Michigan Department of Environmental Quality.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences (Vacation and Sick Leave)

It is the District's policy to permit employees to accumulate unused sick and vacation pay benefits. Upon termination of employment through retirement or death, vacation pay is payable at 100%, not to exceed 120 hours for full-time employees. Only 40 hours of accrued vacation may be carried over into the subsequent fiscal year. Vacation hours over 40 hours are paid off annually at fiscal year end. Any accrued sick leave is paid at one quarter of the unused hours upon termination of employment. All vacation pay and one quarter of sick pay is accrued when incurred in the government-wide financial statements.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE C--LEGAL COMPLIANCE

Budgeted Funds

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

The District's budget policy provides for the board to adopt and control the General Fund's budgets at the activity level. During the year ended September 30, 2008, expenditures were not in compliance with Public Act 2 of 1968.

The budget revenues and expenditures for the general operating fund, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

Budget Violation

The Conservation District has not complied with certain provisions of Public Act 2 of 1968, as amended. Expenditures were incurred in excess of the amount appropriated in the amended budget for the following activities as follows:

	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Variance Favorable (Unfavorable)</u>
District Operations	\$ 52,495	\$ 58,874	\$ (6,379)
Farm Bill Assistance		8,409	(8,409)
Tree Sales	34,040	37,302	(3,262)

NOTE D--CASH AND INVESTMENTS

MCL 129.91 authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS (Continued)

The District has adopted an investment policy in accordance with the requirements of Public Act 20 of 1943, as amended. The District's deposits are in accordance with statutory authority. The District Board has designated one credit union for the deposit of District funds.

At year end, the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Cash Equivalents	<u>\$ 10,879</u>
Total	<u><u>\$ 10,879</u></u>

The bank balance of the primary government's deposits is \$12,050, which is covered by Federal depository insurance.

Investments Authorized by the Entity's Investment Policy

The District's investment policy only authorizes investment in all those that are authorized by law. The District has limited their investments to certificates of deposit that may extend beyond 1 year. Management has addressed their exposure to interest rate risk, credit risk, and concentration of credit risk as required by GASB Statement No. 40.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Long-term certificates of deposit do not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the District's formal investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE E--LONG-TERM DEBT

The long-term debt of the Conservation District may be summarized as follows:

	<u>Balance</u> <u>10/01/07</u>	<u>Additions</u> <u>(Reduction)</u>	<u>Balance</u> <u>09/30/08</u>	<u>Due Within</u> <u>One Year</u>
Vested Employee Benefits				
Vacation (Annual Leave)	<u>\$ 1,782</u>	<u>\$ 338</u>	<u>\$ 2,120</u>	<u> </u>
Total	<u><u>\$ 1,782</u></u>	<u><u>\$ 338</u></u>	<u><u>\$ 2,120</u></u>	<u><u>\$ -</u></u>

Vested Employee Benefits

Vacation (annual leave) is earned in varying amounts depending on the number of years of service of an employee. Vacation is earned in increments from 2 to 6 hours for every 80 hours worked depending on years of service completed. A maximum of 40 hours of annual leave may be carried over to the next fiscal year. Upon termination of employment through retirement or death, vacation pay is payable at 100%.

Employees may accrue 2 hours sick leave per 80 regular hours paid. There is no limit of the number of sick hours that may be accrued. However, only one quarter of a maximum of 250 hours will be paid off upon termination.

All District employees are eligible for compensatory time in-lieu-of overtime, if approved in advance by the executive director. Compensatory time can not be accumulated in excess of 40 hours.

NOTE F--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) fiscal years.

**IONIA CONSERVATION DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL OPERATING FUND
For the Year Ended September 30, 2008**

EXHIBIT C

	GENERAL OPERATING FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Federal Grants	\$ 3,500	\$ 3,500	\$ 13,662	\$ 10,162
State Grants	11,600	11,600	18,605	7,005
Local Units of Government	10,000	10,000	10,000	-
Charges for Services	58,778	58,778	57,338	(1,440)
Interest and Rents	7	7	629	622
Other	150	150	134	(16)
Total Revenue	84,035	84,035	100,368	16,333
Expenditures				
District Operations	49,995	52,495	58,874	(6,379)
Farm Bill Assistance Program			8,409	(8,409)
Tree Sales Expense	34,040	34,040	37,302	(3,262)
Total Expenditures	84,035	86,535	104,585	(18,050)
Excess of Revenues Over (Under) Expenditures	-	(2,500)	(4,217)	(1,717)
Fund Balance--October 1, 2007	15,327	15,327	15,327	-
Fund Balance--September 30, 2008	\$ 15,327	\$ 12,827	\$ 11,110	\$ (1,717)

The Notes to Financial Statements are an integral part of the statement.

IONIA CONSERVATION DISTRICT
SCHEDULE OF REVENUES
BUDGET AND ACTUAL--GENERAL OPERATING FUND
For the Year Ended September 30, 2008

EXHIBIT D

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Federal Grants				
NRCS TSP Grant	\$ 1,000	\$ 1,000	\$ 150	\$ (850)
Farm Bill Assistant Grant	-	-	8,334	8,334
Education Grant	2,500	2,500	5,178	2,678
Total Federal Grants	3,500	3,500	13,662	10,162
State Grants				
MDA--Operations	11,600	11,600	11,605	5
Great Lakes Emerging Leaders Grant	-	-	7,000	7,000
Total State Grants	11,600	11,600	18,605	7,005
Local Units of Government				
Ionia County	10,000	10,000	10,000	-
Total Local Units of Government	10,000	10,000	10,000	-
Charges for Services				
Workshops				-
Soil Books	155	155	40	(115)
Drill	1,875	1,875	967	(908)
Tree Sales	42,547	42,547	48,998	6,451
Seeds	7,500	7,500	3,506	(3,994)
Bulbs	2,000	2,000	1,115	(885)
Other Books	3,500	3,500	2,021	(1,479)
Materials for Resale	1,200	1,200	691	(509)
Total Charges for Services	58,777	58,777	57,338	(1,439)
Interest and Rents				
Interest Earned	7	7	629	622
Total Interest and Rents	7	7	629	622
Other				
Donations From Private Sources	150	150	134	(16)
Total Other	150	150	134	(16)
Total Revenues	\$ 84,034	\$ 84,034	\$ 100,368	\$ 16,334

IONIA CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL OPERATING FUND
For the Year Ended September 30, 2008

EXHIBIT E

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government				
District Operations				
Payroll Expenses--Administrator	\$ 31,271	\$ 33,771	\$ 32,589	\$ 1,182
Payroll Expenses--Directors	2,000	2,000	1,450	550
Workers' Compensation Insurance	406	406	463	(57)
IRA Expense	325	325	325	-
Insurance Unemployment	324	324	9	315
Employer Match	2,736	2,736	3,073	(337)
Supplies	170	170	168	2
Postage	2,710	2,710	1,944	766
Great Lakes Leadership Training	-	-	7,000	(7,000)
Drill Expense	1,875	1,875	2,373	(498)
Refunds and Reimbursements	-	-	149	(149)
District Other	120	120	1,074	(954)
Equipment Maintenance and Repair	-	-	14	(14)
Printing	1,000	1,000	1,085	(85)
Education	2,500	2,500	2,009	491
Advertising and Promotion	1,060	1,060	394	666
Mileage	2,000	2,000	2,457	(457)
Dues	-	-	1,200	(1,200)
District Expense Bank Charges	1,498	1,498	1,098	400
Total District Operations	49,995	52,495	58,874	(6,379)
Farm Bill Assistance Program				
Farm Bill Support	-	-	7,575	(7,575)
FB Indirect Costs			834	(834)
Total Farm Bill Assistance Program	-	-	8,409	(8,409)
Tree Sales Expense				
Shipping and handling	-	-	304	(304)
Cost of Bulbs Sold	1,100	1,100	1,177	(77)
Cost of Trees Sold	28,000	28,000	32,144	(4,144)
Cost of Seed Sold	2,400	2,400	2,006	394
Cost of Books Sold	2,390	2,390	1,539	851
Other Materials for Resale	150	150	132	18
Total Tree Sales Expense	34,040	34,040	37,302	(3,262)
Total General Government Expenditures	\$ 84,035	\$ 86,535	\$ 104,585	\$(18,050)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 13, 2008

Board of Directors
Ionia Conservation District
431 Swartz Court #300
Ionia, Michigan 48846

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Directors:

We have audited the financial statements of the Ionia Conservation District (District), Ionia County, Michigan, as of and for the year ended September 30, 2008, and have issued our report thereon dated November 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standard and which is described in the accompanying Schedule of Findings as Finding 2008-1.

This report is intended solely for the information of the Ionia Conservation District Board of Directors, management and others within the Conservation District, State and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 13, 2008

Board of Directors
Ionia Conservation District
431 Swartz Court #300
Ionia, Michigan 48846

Re: Report to Those Charged With Governance

We have audited the financial statements of the governmental activities, and the major fund information of Ionia Conservation District for the year ended September 30, 2008, and have issued our report thereon dated November 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated September 7, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Ionia Conservation District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Ionia Conservation District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures to specifically identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 3, 2008.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ionia Conservation District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ending September 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, two of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit.

This information is intended solely for the use of Ionia Conservation District Board of Commissioners and management of Ionia Conservation District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

IONIA CONSERVATION DISTRICT

SCHEDULE OF FINDINGS

STATUTORY COMPLIANCE

Violations of Uniform Budgeting and Accounting Act

Finding 2008-1

Condition: Our examination of procedures used by the Conservation District to adopt and maintain operating budgets for budgetary funds revealed that the Conservation District has not complied with certain provisions of Public Act 2 of 1968, as amended.

The District's budget policy provides for the board to adopt and control the General Operating Fund's budget at the activity level. The budgeted revenues and expenditures for the General Operating Fund, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

During the year ended September 30, 2008, expenditures were incurred in excess of the amount appropriated in the amended budget for the following activities:

	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Variance Favorable (Unfavorable)</u>
District Operations	\$ 52,495	\$58,874	\$ (6,379)
Farm Bill Assistance		8,409	(8,409)
Tree Sales	34,040	37,302	(3,262)

Criteria: Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

MCL 141.139 states: "A member of the legislative body, the chief administrative officer, an administrative officer, or an employee of a local unit shall not authorize or participate in the expenditure of funds except as authorized by a general appropriations act." The act requires the Conservation District board to make budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Directive: We direct that the Conservation District board and administrative personnel responsible for administering the activities of the various funds of the conservation district to develop budgetary control procedures which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.